



## Brochure: Part 2A of Form ADV

March 25, 2015

This brochure provides information about the qualifications and business practices of Drum Hill Capital. If you have any questions about the contents of this brochure, please contact us at (203) 349-8182 or [info@drumhill.com](mailto:info@drumhill.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Drum Hill Capital is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Drum Hill Capital's CRD number is 123359.

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200 Connecticut Avenue • Suite 4A • Norwalk, CT 06854 • [www.drumhill.com](http://www.drumhill.com)

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## 2. Material Changes

Drum Hill Capital, LLC (“Drum Hill Capital”, “we”, the “advisor” or the “firm”) is pleased to provide its clients and prospective clients with this Brochure, which is the firm’s Form ADV Part 2A dated March 25, 2015 and is our latest disclosure document prepared according to the SEC’s requirements and rules. This Brochure contains important information about Drum Hill Capital’s business practices, as well as a description of potential conflicts of interest relating to the firm’s advisory business. We recommend that you review this Brochure in its entirety.

The purpose of this section is to disclose material changes that have been made to this Brochure since the last annual update of this Brochure.

The following are the material changes that have been made to this Brochure since its last annual update, which was dated March 28, 2014:

1. We have removed our minimum account size required to receive Drum Hill Capital’s Managed Account Services. In the past we required a minimum account size of \$1 million for these services. However, going forward we will require a minimum annual fee of \$1,000 for clients utilizing Managed Account Services. This fee is prorated for the number of days in the year services were provided and is paid quarterly in arrears. Items 4, 5 and 7 of this brochure have been amended to reflect this change in the firm’s minimum fee and minimum account size.

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## 4. Advisory Business

### Firm History and Principal Owner

David Nightingale, our principal owner and current President, founded Drum Hill Capital in 1998. The firm is located in Norwalk, Connecticut, and serves clients in all areas of the country, predominantly in the Northeast. Originally registered with the State of Connecticut at its founding, Drum Hill Capital has been registered with the Security and Exchange Commission (“SEC”) since 2006. (Please note that registration as an investment adviser with the SEC does not imply a certain level of skill or training.)

### Advisory Services Offered

Drum Hill Capital offers advisory and financial planning services to individuals and families, along with assisting in their personal financial planning issues related to their businesses. The types of advisory services the firm offers can be summarized into four categories:

1. Managed Account Services
2. Comprehensive Household Reporting
3. Financial Planning Services
4. Investment Consulting Services

**1. Managed Account Services** – Drum Hill Capital provides comprehensive advice and continuous management of a client’s portfolio based upon their specific needs. We prepare for each engagement by conducting personal discussions to identify a client’s goals and objectives. During this data gathering process, we determine the client’s individual objectives, time horizon, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client’s prior investment history, as well as other unique circumstances that could affect the overall investment strategy and portfolio composition. From here, Drum Hill Capital develops a client’s strategic asset allocation plan and manages the portfolio based on that plan.

Primarily, client portfolios are managed using a “balanced” strategy, unless otherwise agreed upon. A balanced portfolio may include several asset classes in combination such as equity securities, fixed income securities, and real asset securities such as inflation protected securities. From our experience and our study of long-term market data, we believe that holding certain combinations of asset classes while balancing expected return, risk, and correlation will optimize the long-term performance of a client’s portfolio. We also believe that diversification across asset classes offers the best means of controlling risk in a client’s portfolio, although no strategy can completely control or eliminate risk. In addition, it should be stressed that we will not allocate funds blindly to an asset class or asset subsector that we feel is fundamentally overvalued.

We manage these portfolios on a discretionary basis. Account supervision is primarily guided by the client's stated objectives (objectives such as capital appreciation, income, or growth and income), as well as other considerations such as investment time horizon, tax sensitivity and cash withdrawal needs.

Our investment recommendations are not limited to any specific product or service. Typically, we will include advice regarding some or all of the following securities in our managed account portfolios:

Equity Securities	ETFs and Mutual Funds
Fixed Income Securities	Closed End Funds
Money Market Securities	Real Estate Investment Trusts

As Drum Hill Capital manages portfolios of all sizes, certain securities are recommended at various levels of portfolio size to achieve a client's objectives in the most cost efficient manner possible. Managed Account Services portfolios up to a value of \$250,000 would typically be designed using a portfolio of diversified ETFs. ETFs are Exchange Traded Funds. Managed Account Services portfolios between a value of \$250,000 and \$1,000,000 would typically consist of ETFs along with the addition of mutual funds. These mutual funds would target sectors where active management is an added benefit to achieving the client's objectives, and the client's overall portfolio size allows us to add these recommended funds at levels that are acceptable versus the minimum fund purchase amounts specified by the fund company along with the fees charged by the custodian to purchase these funds, if any. Portfolios greater than \$1,000,000 would include all of the various types of securities listed above, as well as individual equity securities, both domestic and international, with the goal of realizing tax benefits that may arise when using individual securities in terms of holding period and flexibility around tax loss harvesting. Note that certain legacy portfolios managed at Drum Hill Capital might not follow the portfolio size conventions outlined above, and instead be based upon the client's unique circumstances and the strategies used by Drum Hill Capital at the time the portfolio was designed and implemented.

Because some types of investments involve certain additional degrees of risk, they will only be recommended and implemented when we believe the recommendation is consistent with the client's stated investment objectives, tolerance for risk, liquidity needs and suitability. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Where appropriate and with client approval we may recommend certain options transactions to be used in a client portfolio in an effort to reduce overall portfolio risk, increase portfolio income or reduce the risk of a concentrated position in a portfolio. Please note that certain option writing strategies may require the use of a margin account.

Drum Hill Capital may also manage some portfolios on a more focused basis, consisting only of equity securities combined with an appropriate cash allocation. Clients might choose this strategy if they feel they have sufficient diversification in their investments held in outside accounts. In this situation, we examine a client's other portfolios with an eye towards ensuring that the equity investments managed by Drum Hill Capital suitably complement the client's entire financial position.

The client will receive access to a personal website portal that will show the client's total portfolio and the individual accounts that comprise that portfolio. This website view will include performance reporting, transaction summaries, and income reports. This website also includes the ability to retrieve Drum Hill Capital's quarterly reports from the client's secure document vault.

Drum Hill Capital may also provide clients periodic investment-related white papers, research reports or articles related to the client's managed portfolio without charge as a part of its services. These would typically be delivered electronically, subject to the client's approval to receive information in this manner.

**2. Comprehensive Household Reporting** – As an added service to complement the Managed Account Services program outlined above, Drum Hill Capital also provides the ability to compile a client's other investment portfolio information from various bank, brokerage and investment accounts into a single, comprehensive report. As part of this service we may provide non-discretionary advice on a comprehensive and continuous basis on any or all accounts a client may have at other custodians ("held away assets"), if the client so chooses.

We use a secure method to aggregate position and transaction data from third party sources and compile that data with our portfolio management analysis tools. These held away assets will be included on the client's portfolio summary page on the client's personal website portal, as described above, and as part of this service the client will receive quarterly reports on these assets including performance and transaction reporting. These held away assets will also be included in the client's strategic asset allocation plan as described under the Managed Account Services section above.

The responsibilities of Drum Hill Capital for each account included under this service will be clearly identified in the advisory contract. If a client chooses to have us provide non-discretionary advice regarding held away assets, the client may be responsible for implementing any investment recommendations given by Drum Hill Capital. If Drum Hill Capital does not have the authority to execute the recommendations, clients are responsible for acting on the advice in accordance with any instructions we may make. With regard to this service, any recommendation made by Drum Hill Capital is valid only on the day in which it is presented, unless otherwise indicated.

At the discretion of the client, some accounts included in Comprehensive Household Reporting services might consist of positions in alternative investments subscribed to directly by the client that are included for reporting purposes only. These alternative investments might include, but are not limited to, hedge funds, real estate investment funds, venture capital investments, seed stage investments and private equity funds ("Alternative Investments"). Alternative Investments are generally much less liquid than traditional stocks, bonds, or money market securities and are subject to rigorous suitability requirements. On client reports, Drum Hill Capital may show Alternative Investments held or controlled by a client or by a third party on behalf of a client for recordkeeping purposes. Drum Hill Capital will not accept actual custody or control of these assets. The description of the client's held away assets, pricing or value will be provided by third parties. We will not be

responsible for confirming that this information as provided by these third parties is accurate or reliable. Drum Hill Capital will not be responsible for the verification of any asset pricing whether held away or with third parties where we may have access to the clients account information. In addition, certain assets for which a current value is not available and to which the client subscribed directly, such as investment real estate, illiquid venture capital or private equity investments, may be shown at investment cost or an estimated value provided by the client on client reports to provide a complete investment overview, and as such should not be relied upon for any purpose by a third party.

**3. Financial Planning Services** – Drum Hill Capital offers a broad range of financial planning services to its clients. These planning services are offered to clients without additional charge based upon a tiered approach depending upon the level of assets under management in the Managed Account Services program. These services and the level of assets in Drum Hill Capital's Managed Account Services program needed to receive these services without additional charge are as follows:

Clients with under \$250,000 in our Managed Account Services program receive advice on -

- Defining their financial goals and quantifying the savings and investment program necessary to reach those goals – a “Baseline Goals Plan”
- Budgeting and saving
- Liquidity and concentrated position management
- Analysis of business opportunities and business plan guidance

Clients with between \$250,000 and \$1,000,000 in our Managed Account Services program receive all of the planning services listed above as well as the following -

- Tax planning
- Retirement income planning
- Insurance review and business risk management

Clients with over \$1,000,000 in Managed Account Services receive all of the planning services listed above as well as the following -

- Multigenerational family planning
- Charitable giving strategies and family mission
- Review of outside Alternative Investment proposals, including diligence on hedge funds, venture capital, investment real estate and seed stage investments
- Estate planning review
- Assistance in procuring other Planning and Family Office Services as required

**4. Investment Consulting Services** – We also offer investment consulting services to formulate investment plans, analyze unique investment situations, and to provide investment and asset allocation advice. This service might be utilized by clients who wish to manage their own portfolios, have a pre-existing, long-term relationship with an investment manager, or who do not have sufficient assets under management in our Managed Account Services program to receive certain financial planning services without an additional fee.

Clients will be responsible for executing any recommended portfolio changes under this service and for acting in accordance with any instructions we may give as part of this service. With regard to this service, any recommendation made by Drum Hill Capital is valid only on the day in which it is presented unless otherwise indicated. Unless agreed upon in writing, Drum Hill Capital shall not have any obligation to provide ongoing research with respect to any recommended investment or to monitor these investments.

### Client Assets Managed and Under Administration

**Regulatory Assets Under Management** – As of February 27, 2015, Drum Hill Capital had the following client regulatory assets under management in the various services described above:

Discretionary Assets Managed	\$108,400,616
Non-Discretionary Assets Managed	\$34,316,197
Total Regulatory Assets Managed	\$142,716,813

**Additional Non-Regulatory Assets Under Administration** – As of February 27, 2015, Drum Hill Capital also had \$130,370,701 of additional client assets under administration that did not fall into the SEC's definition of regulatory assets under management as shown above. (Generally, these are client assets not requiring continuous and regular supervisory services.)

## 5. Fees and Compensation

### Fees for Advisory Services

**1. Managed Account Services Fees** - Drum Hill Capital receives an annual fee for assets under management, paid quarterly in arrears, computed based on the value of the portfolio at the end of the each quarter using the following schedule:

<u>Portfolio Value</u>	<u>Annual Fee</u>
Up to \$2 Million	1.00%
The next \$8 Million	0.80%
Amounts over \$10 Million	0.60%

Fees for initial and final billing periods will be prorated for the number of days management services were provided. Fees can either be debited from a client's account in accordance with the client's



written authorization or paid via personal check upon receipt of an invoice. In the cases of the direct deduction of fees from a client's account, written notice is sent to the custodian at the same time the fee is deducted from the client's account. The itemized notice sent to the client by Drum Hill Capital will include the formula used to calculate the fee, the amount of assets under management upon which the fee is based and the time frame covered by the fee. In addition, the custodian will send monthly statements to the client showing all disbursements from the client's account, including the amount of the advisory fee.

No minimum portfolio size is required for Managed Account Services, but Drum Hill Capital charges a minimum annual fee of \$1,000 paid quarterly in arrears and prorated for the number of days in the year services were provided.

**2. Comprehensive Household Reporting Fees** - Drum Hill Capital receives an annual fee for reporting and advice on held away assets, paid quarterly in arrears, computed based on the aggregate portfolio value at the end of each quarter using the following schedule:

<u>Portfolio Value</u>	<u>Annual Fee</u>
Up to \$2 Million	0.30%
Amounts over \$2 Million	0.15%

Fees for initial and final billing periods will be prorated for the number of days management services were provided. Fees for this service can either be debited from a specific account managed by Drum Hill Capital in accordance with the client's written authorization or paid via personal check upon receipt of an invoice. The itemized notice sent to the client by Drum Hill Capital will include the formula used to calculate the fee, the amount of assets upon which the fee is based and the time frame covered by the fee. In addition, if the fee is debited directly from a client's account under the management of Drum Hill Capital, the custodian will send monthly statements to the client showing all disbursements from the client's account, including the amount of the advisory fee.

Comprehensive Household Reporting services are designed to complement our Managed Account Services outlined in Advisory Services description #1, allowing a client to see their total investment allocation across their accounts managed at both Drum Hill Capital and at other custodians. This service is typically not offered on a stand-alone basis and therefore a minimum annual fee of \$1,000 using our Managed Account Services as discussed above is required for a client to receive Comprehensive Household Reporting services, along with a minimum fee of \$50 per year per outside "held away" account included in the Comprehensive Household Reporting program.

**3. Financial Planning Fees** – Financial Planning Services are offered to clients without charge based upon a tiered approach depending upon the level of assets under management in our Managed Account Services program. Please see page 7 for a discussion of these services and the level of assets required to receive these services without additional charge. For clients who desire Financial Planning Services but do not have a sufficient level of assets in our Managed Account Services

program, these services may be contracted as Investment Consulting Services at the rates discussed below.

**4. Investment Consulting Services Fees** - Our Investment Consulting Services fees are calculated and charged on an hourly basis at \$300 per hour. All fees are billed at the end of the project or quarterly in arrears, depending upon the length of the project. If the client requires a good faith estimate for the total hours that a project might take, that estimate will be determined at the start of the consulting relationship.

It is also possible for Investment Consulting Services to be structured under a fixed fee relationship rather than paid hourly. See below in General Fee Information for a discussion of this type of arrangement. Fees for this service would typically be paid via personal check upon receipt of an invoice.

## General Fee Information

***Termination of the Advisory Relationship:*** The client may terminate the advisory agreement without penalty within five (5) business days after entering into the agreement. Thereafter, a client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable.

***Limited Negotiability of Advisory Fees:*** Although Drum Hill Capital has established the aforementioned fee schedules, we retain the discretion to negotiate alternative fees on a client-by-client basis based upon the client's unique circumstances. These circumstances might include the complexity of the client's needs, anticipated future additional assets, asset type within the account, and account strategy, among other factors. The specific annual fee schedule for each client is identified in the contract between the adviser and the client.

We may group certain related client accounts for the purposes of achieving the minimum fee requirements and when calculating fee breakpoints.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

***Fixed Fee Arrangements:*** In certain instances, the advisory or consulting fee may be structured as a fixed fee if both the client and Drum Hill Capital agree that this is appropriate. Fixed fees are determined primarily upon the basis of our assessment of both the number of hours that are expected to be devoted to the client's account during the period for which the fee is to be charged, and the expenses expected to be incurred in connection with the servicing of the client's account during such period, subject to adjustment to take into account the client's ability to pay. Fixed fees must be agreed to in advance by the client and Drum Hill Capital.

***Mutual Fund and ETF Fees:*** All fees paid to Drum Hill Capital for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will

generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client.

***Wrap Fee Programs and Separately Managed Account Fees:*** Clients participating in separately managed account programs in their held away assets accounts managed under our Comprehensive Household Reporting services may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers at the "held away" custodian, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. A client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients under our Comprehensive Household Reporting service.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***Grandfathering of Certain Account Requirements:*** Pre-existing advisory clients are subject to Drum Hill Capital's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements and fee arrangements will differ among clients.

***ERISA Accounts:*** Drum Hill Capital is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Drum Hill Capital may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Drum Hill Capital's advisory fees.

***Advisory Fees in General:*** Clients should note that similar advisory services may be available from other investment advisers or related service providers for similar or lower fees.

**Prepayment of Fees:** Under no circumstances do we allow, require or solicit payment of fees in advance of services rendered.

## 6. Performance-Based Fees and Side-By-Side Management

Drum Hill Capital does not charge performance-based fees and thus has no conflicts of interest of the type that may arise where performance fee paying accounts are managed side-by-side with accounts that are charged only hourly, fixed or asset-based fees.

## 7. Types of Clients

### Types of Clients to Whom We Provide Services

Drum Hill Capital provides advisory services to the following types of clients:

- Individuals and Families
- Individual Retirement Accounts
- Trusts
- Pension and Profit Sharing Plans
- Charitable Organizations

### Minimum Fees or Account Requirements

**1. Managed Account Services** - No minimum portfolio size is required for Managed Account Services; however, clients will be subject to a minimum annual fee of \$1,000 paid quarterly in arrears, prorated based upon the number of days of the year services were provided. Please note that this minimum fee may be negotiable under certain circumstances, at the discretion of Drum Hill Capital. We may group certain related client accounts for the purposes of achieving the minimum annual fee and determining the total annualized fee with respect to fee breakpoints.

**2. Comprehensive Household Reporting** - This service is typically not offered on a stand-alone basis as Comprehensive Household Reporting is designed to complement Managed Account Services. Therefore a minimum annual fee of \$1,000 using our Managed Account Services is required for a client to receive Comprehensive Household Reporting services. This minimum annual fee may be negotiable under certain circumstances and at the discretion of Drum Hill Capital. We may also group certain related client accounts for the purposes of achieving the minimum annual fee and determining the annualized fee with respect to fee breakpoints. There is no separate minimum portfolio size for the Comprehensive Household Reporting service but Drum Hill Capital charges a minimum of \$50 fee per year per outside "held away" account included in the Comprehensive Household Reporting program. For example, a client who required performance reporting and advice

on three outside, “held away” investment accounts under this service would be charge a minimum fee of \$150 per year for this service (3 x \$50), paid quarterly in arrears.

**3. Financial Planning Services Fees** - Financial Planning Services are offered to clients based upon a tiered approach depending upon the level of assets under management in our Managed Account Services program. The types of financial planning services offered at different levels of assets managed in the Managed Account Services program are negotiable based upon a client’s unique circumstances and at the discretion of Drum Hill Capital.

**4. Investment Consulting Services Fees** - There are no minimum fee or hourly requirements for Investment Consulting Services.

## 8. Methods of Analysis, Investment Strategies and Risk of Loss

### Methods of Analysis

Drum Hill Capital combines suitability analysis with both “top down” and “bottom up” fundamental analysis when designing a client’s asset allocation plan, along with choosing the investments that ultimately are placed in the client’s investment portfolio.

The process of identifying suitable asset classes, sectors and investments for each client starts by seeking to understand the client’s goals (such as risk tolerance, retirement needs, liquidity requirements, the client’s current job, tax sensitivities, and any legacy concerns), and how certain asset classes and sectors might fit together to best achieve each client’s goals. Once these goals have been identified (or reevaluated as the case may be), an asset and sector allocation plan is devised that we believe best fits the client’s situation. Drum Hill Capital uses seven distinct asset allocation strategy models to manage client assets according to the specific client factors above, distinguished by the amount of stock market risk or equity securities contained in each:

**Equity Focus** (100% Equity Securities)

**Aggressive Growth** (80% Equity Securities / 20% Fixed Income and Other Assets)

**Capital Appreciation** (65% Equity Securities / 35% Fixed Income and Other Assets)

**Growth and Income** (50% Equity Securities / 50% Fixed Income and Other Assets)

**Conservative Yield** (35% Equity Securities / 65% Fixed Income and Other Assets)

**Current Income** (20% Equity Securities / 80% Fixed Income and Other Assets)

**Fixed Income Focus** (100% Fixed Income and Other Assets)

Most but not all client portfolios are managed within the parameters of one these models. For example, a particular client’s requirements might cause us to modify and customize one of the models shown above to the client’s unique circumstances. Drum Hill Capital has robust rebalancing software that allows us to segregate a client’s cash needs from the model portfolio to allow for scheduled cash withdrawals or one-time large cash needs.

These investment plans are not static and change as a client's unique situation changes and as the investment climate changes. It is a dynamic, goals-based approach that looks to diversify a client's portfolio across a range of investment areas and securities.

Drum Hill Capital relies on fundamental analysis to evaluate all investments placed in a client's portfolio. This analysis starts by looking at broad, international economic trends and how these factors might affect the performance of certain investment asset classes and sectors ("top down"). This analysis then also evaluates individual securities within these investment asset classes and sectors on their fundamental characteristics and merits to determine the proposed mix of asset classes, sectors, and individual investments within each portfolio ("bottom up").

In cases where a client asks us to target one sector alone such as equities or fixed income in their portfolio, we look at the client's other investments to devise a portfolio to be managed at Drum Hill Capital that we believe complements the client's other investments with respect to a client's overall goals and risk tolerance.

As with any diversified strategy, there are risks that certain asset classes and sectors do not perform in the future as forecasted or that assumed relationships between different asset classes change unexpectedly which may lead to a capital loss.

Once an asset class and sector allocation plan is finalized, we begin choosing the specific securities and investments that will constitute a client's portfolio. We use the following methods of fundamental analysis in formulating our investment advice and managing client assets:

***Global Macroeconomic Analysis (Top Down)*** – Using both outside analytical sources and proprietary models, we examine general trends in the global macroeconomic landscape, and their potential impact across investment asset classes and sectors. We then seek to identify undervalued securities which we believe best fit this allocation, again leveraging our resources to stress test these individual securities against our macroeconomic forecasts.

Though this segment of our investment process attempts to mitigate macroeconomic risk, it relies almost entirely on assumptions regarding the current and future state of the global political economy. Given the wide variety of factors involved in such an analysis, there exists the risk that assumptions in our macroeconomic models may prove erroneous, adversely impacting the securities selected based upon our models.

***Qualitative Fundamental Security Analysis (Bottom Up)*** – We attempt to measure the intrinsic value of a security by examining economic and other qualitative fundamental factors (such as how changes in the overall economy might affect the company's future growth, the company's position within its industry including any long-term competitive advantages, and the financial condition and quality of the management team of the company itself) to determine if we believe the company is underpriced (indicating it may be a good time to purchase) or overpriced (indicating it may be time to sell out of our existing holding or to avoid the security altogether, whichever the case may be).

Since this analysis is purely qualitative, judgments are being made on certain aspects of a company in relation to other companies and the larger economy that may prove to be incorrect. This means that it is possible that an unforeseen change in market or industry dynamics could affect the security's price in a negative way. In addition, fundamental analysis does not attempt to anticipate overall

market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

***Quantitative Fundamental Security Analysis (Bottom Up)*** – We also use outside analytical sources that model a company's financial prospects based upon historical financial data in an attempt to obtain more accurate measurements of a company's future ability to increase internal cash flow and earnings per share. In some cases proprietary models will be developed should we believe it necessary to further clarify our assumptions on a company. In such situations, a discounted cash flow (DCF) or sum of the parts (SOTP) model is generally utilized, with models updated as information we deem to be material comes to our attention. These analyses are then used to make a judgment on the security's relative valuation to determine if we believe the company is underpriced (indicating it may be a good time to purchase) or overpriced (indicating it may be time to sell out of our existing holding or to avoid the security altogether, whichever the case may be).

A risk in using this type of quantitative analysis is that the models used may be based on assumptions that prove to be erroneous. In addition, models relying on historical data to predict future results can prove to be incorrect leading to a capital loss.

***Risks For All Forms of Security Analysis*** - Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

***Fund or Manager Due Diligence*** – We may also rely on mutual funds or ETFs to invest certain portions of a client's portfolio within certain asset classes or investment sectors. We analyze these funds and their managers in much the same way as we would an individual security by looking at past performance in terms of return and risk, as well as investment philosophy, cost structure, and strategic focus. The analysis is fundamental in nature, both qualitative and quantitative.

As discussed earlier, these products may incur additional fees and/or transactions costs. Please see the discussion on this topic within "Fees and Compensation" and further under "General Fee Information" beginning on page 8.

A client can be exposed to certain types of risks using a mutual fund or ETF within a portfolio, including but not limited to strategy drift, liquidity of individual fund holdings, liquidity of the fund itself, unexpected manager changes, and overall market risk.

## **Investment Strategies**

We use some or all of the following strategies in managing client accounts, provided that we believe such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizon, among other considerations:

***Long-term Purchases*** - We typically purchase securities or funds with the idea of holding them in the client's account for a year or longer as we believe the securities or funds are undervalued and we are



seeking to compound a client's money over long periods of time without significant transactions fees (and to reduce taxes in accounts where applicable, if possible).

A risk in a long-term purchase strategy is that by holding an investment for this length of time, we may not take advantage of short-term gains that could be profitable to a client, especially in tax-deferred accounts (IRAs) or tax-exempt accounts (ROTH IRAs). Moreover, if our predictions on valuation are incorrect, an investment may decline sharply in value before we make the decision to sell.

**Short-term Purchases** - In general, Drum Hill Capital believes in holding investments for a period greater than one year in an effort to maximize a client's after tax return and does not provide services for speculators seeking to profit through short-term trading. However, significant changes in economic or market conditions may precipitate short-term trading activity where investments are sold inside of a period of one year or in accounts where taxes are not a factor. In addition, the firm may engage in tax loss selling by selling a security with a loss inside of one year to offset the capital gain on another position sold in the same tax year.

**Margin Transactions** – Although we do not recommend the use of margin, some clients may request that we use margin in certain circumstances. A margin account allows us to purchase stocks for your portfolio with money borrowed from your brokerage account custodian. This allows you to purchase more stock than you would be able to with your available cash balance, and allows a client to purchase stock without selling other holdings. The use of margin significantly raises the risk of a securities portfolio. Note that employing certain options strategies may require the use of a margin account.

**Option Purchases and Option Writing** - We may use options as an investment strategy but only where a client agrees to use these options products and subject to our assessment of client suitability. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives the purchaser the right to buy an asset at a certain price within a specific period of time. We may buy a call if we have forecasted that the price of the stock or asset will increase before the option expires.
- A put gives the purchaser the right to sell an asset at a certain price within a specific period of time. We may buy a put if we have forecasted that the price of the stock or asset will fall before the option expires.

We also may use options to "hedge" a purchase of the underlying security; in other words, we could use a put option purchase to limit the potential downside of a security we have purchased for a client's portfolio.

We may use "covered calls" where suitable, in which we sell a call option on a security you own. In this strategy, you receive a fee for making the call option available, and the person purchasing the call



option has the right to buy the security from you at an agreed-upon price. Generally, these strategies are used to increase the current income on a security in the form of the option premium, but at the cost of limiting upside potential gains.

We may also use "naked puts" where suitable, in which we sell a put option on security that we desire to own at a lower price than the current price. In this strategy, you receive a fee for making the put option available, and the person purchasing the put option has the right to sell the security to you at an agreed-upon price. If the security declines in price and the holder of the put option exercises the right to sell the security, the client purchases the security at an effective price of the agreed-upon price less the premium and any transaction costs. Generally, these strategies are used to increase overall portfolio income and to purchase targeted securities at lower prices than current market prices. Selling uncovered options exposes a client to certain risks, including loss of capital and potential margin calls.

In rare cases, we may use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts the client in two opposing positions in the security, but with the ability to vary price, time and other factors on each side of the transaction.

**Risk of Loss** - Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk, and notify us promptly of any changes in your financial situation that might affect how we invest your portfolio.

## 9. Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

## 10. Other Financial Industry Activities and Affiliations

Our firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

## 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Our firm has adopted a Code of Ethics which sets forth the high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Drum Hill Capital and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of securities transactions, as well as initial and annual securities holdings reports. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Drum Hill Capital's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [info@drumhill.com](mailto:info@drumhill.com), or by calling us at (203) 349-8182.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions, while at the same time allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security or securities which may also be recommended to a client.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and any block level transaction costs will be shared equally and on a *pro rata* basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases *pro rata*, with each account paying the average price. Our employee accounts will be included in the *pro rata* allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) in the same security being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.

4. Our firm requires prior approval for participation in any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his designee.
6. We have established procedures for the maintenance of all required books and records.
7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. We require delivery to and acknowledgement of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
10. Any individual who violates any of the above restrictions may be subject to termination.

## 12. Brokerage Practices

Your assets managed at Drum Hill Capital must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that our clients use either Fidelity Institutional Wealth Services, a division of Fidelity Investments (together with all affiliates including National Financial Services LLC, and Fidelity Brokerage Services LLC, "Fidelity") or Schwab Advisor Services, a division of Charles Schwab & Co., Inc. ("Schwab") as the qualified custodian. Drum Hill Capital has established custodial relationships with both firms through which they provide our firm with their advisor platform services. These platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like Drum Hill Capital in conducting business and in serving the best interests of our clients but that may also benefit us. Both Fidelity and Schwab are registered broker-dealers and members of SIPC, the Securities Investor Protection Corporation. Drum Hill Capital is independently owned and operated and is not affiliated with either Fidelity or Schwab.

Fidelity or Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Fidelity or Schwab as custodian/broker, you will decide whether to do so and will open your account with either custodian by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Fidelity or Schwab, we can still use other brokers to execute trades for your account as described below (see "Your Brokerage and Custody Costs" below).

### Custodians

**How We Select Brokers/Custodians** - We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to

other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds or ETFs, etc.)
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients

**Your Brokerage and Custody Costs** - Fidelity and Schwab do not charge you separately for custody services but are compensated by charging you commissions or other fees on trades that they execute or that settle into your Fidelity or Schwab account. In addition to commissions, Fidelity and Schwab charge you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we execute by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Fidelity or Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have the qualified custodian who maintains your account execute most trades for your account. We have determined that having your account’s custodian execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “How We Select Brokers/Custodians” above).

### **Custodial Platform Services**

**Platform Services Available to Us from Fidelity and Schwab** - Through our custodial arrangements with Fidelity and Schwab, they provide us with platform services that include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like Drum Hill Capital in conducting business and in serving the best interests of our clients but that may also benefit us.

Fidelity and Schwab charge brokerage commissions and transaction fees for effecting certain securities transactions (*i.e.*, transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity and Schwab enable Drum Hill Capital to obtain many no-load mutual funds without transaction charges and other

no-load funds at nominal transaction charges. Fidelity and Schwab's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity and Schwab may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity and Schwab also make available to our firm, at no additional charge to us, certain research and brokerage services, including research services obtained by Fidelity and Schwab directly from independent research companies, as selected by Drum Hill Capital (within specified parameters). These research and brokerage services presently include services such as a dedicated trading desk that services Fidelity and Schwab participants exclusively; a dedicated service group and an account services manager at each firm dedicated to our company's accounts; access to a real-time order matching system; ability to 'block' client trades; electronic download of trades, balances and positions; duplicate and batched client statements; confirmations and year-end summaries; the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements); availability of third-party research and technology; a quarterly newsletter; access to Fidelity and Schwab mutual funds, access to Fidelity and Schwab's institutional portals, WealthCentral and Schwab Advisor Center respectively (internet access to statements, confirmations and transfer of asset status); access to Fidelity.com and Schwab.com (through which clients may access their account information over the internet); and access to numerous mutual funds NOT affiliated with Fidelity and Schwab.

We don't have to pay for either Fidelity's or Schwab's services as long as our clients keep a minimum level of assets collectively in their accounts at each custodian. Currently, the minimum amounts are a total of at least \$15 million of their assets in accounts at Fidelity and at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Fidelity or Schwab in trading commissions or assets in custody. We understand that this could be a potential conflict of interest as it may give us an incentive to recommend that you maintain your account with either Fidelity or Schwab, but we believe that our recommendation of either custodian is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Fidelity and Schwab's services (see "How We Select Brokers/Custodians") and not the Fidelity and Schwab services that benefit only us. As of February 27, 2015, Drum Hill Capital had \$120,019,355 in assets under management at Fidelity and \$17,825,226 in assets under management at Schwab, and we do not believe that recommending our clients to collectively maintain a minimum level of assets at either Fidelity or Schwab in order to avoid paying quarterly service fees presents a potential material conflict of interest.

The following is a more detailed description of Fidelity and Schwab's platform services along with a discussion of how these services help you and us:

**Platform Services That Benefit You** - Fidelity and Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Fidelity and Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Fidelity and Schwab's services described in this paragraph generally benefit you and your account.

**Platform Services That May Not Directly Benefit You** - Fidelity and Schwab also make available to us other products and services that benefit us but may not directly benefit you or your account. These

products and services assist us in managing and administering our clients' accounts. They include investment research, both Fidelity and Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Fidelity or Schwab. In addition to investment research, Fidelity and Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

**Platform Services That Generally Benefit Only Us** - Fidelity and Schwab also offer other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
  - Consulting on technology, compliance, legal, and business needs
  - Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers where Fidelity and Schwab may provide some of these services itself. In other cases, they will arrange for third-party vendors to provide the services to us. Fidelity and Schwab may also discount or waive fees for some of these services or pay all or a part of a third party's fees.

Fidelity and Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

Although we utilize all these services to varying degrees, our primary reason for choosing Fidelity and Schwab is the quality of services that directly and indirectly benefit you. As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity or Schwab's services. We examined this potential conflict of interest when we chose to enter into relationships with Fidelity and Schwab and we review the relationships periodically, and we have determined that these relationships are in the best interests of Drum Hill Capital's clients and satisfy our client obligations, including our duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while Drum Hill Capital will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research, products and services that may be obtained by us will generally be used to service all of our clients, a

brokerage commission paid by a specific client may indirectly be used to pay for research that is not used in managing that specific client's account.

### **Other Brokerage Practices**

If a client wishes to direct brokerage to another broker-dealer, Drum Hill Capital requires that clients provide us with written authority to indicate the broker-dealer to use and the commission costs that will be charged to the client for these transactions. The client understands that execution of a directed brokerage transaction may not result in a favorable execution because of an inability to aggregate the transaction with other orders and the client may receive less favorable prices for these transactions.

Clients must include any limitations on our discretionary authority in the investment advisory contract. Clients may change or amend these limitations as required. Such amendments must be provided to us in writing.

Drum Hill Capital will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as any block level transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. Certain clients participating in block trades executed at custodians where commissions are charged at the account level rather than the block level may pay higher per trade commission rates than other clients participating in the block trade based upon account size and/or their choice not to participate in certain promotional plans offered by the account custodian.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Drum Hill Capital will typically aggregate trades among clients whose accounts can be traded at a given broker. Drum Hill Capital's block trading policy and procedures are as follows:

1. Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Drum Hill Capital, or our firm's order allocation policy.
2. We must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
3. We must reasonably believe that the order aggregation will benefit, and will enable Drum Hill Capital to seek best execution for, each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of circumstances after the execution. Best execution includes the duty to seek the best quality of execution, as well as the best net price.



4. Prior to entry of an aggregated order, a written and/or electronic order allocation worksheet must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
5. If the order cannot be executed in full, the securities actually purchased or sold by the close of each business day must be allocated *pro rata* among the participating client accounts in accordance with the initial order worksheet or other written statement of allocation. However, adjustments to this *pro rata* allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation where circumstances warrant those adjustments such as to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
6. Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the block level transactions costs on a *pro rata* basis in proportion to the client's participation. As outlined above, under the client's agreement with the custodian/broker there may be differences in commission rate structures when commissions are charged at the account level based upon account size and/or the client's choice to participate in certain promotional plans offered by the custodian.
7. Drum Hill Capital's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
8. Funds and securities for aggregated orders are clearly identified on Drum Hill Capital's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
9. No client or account will be favored over another.

## 13. Review of Accounts

### Managed Account Services

**Reviews:** While the underlying securities within accounts in the Managed Account Services program are continually monitored and periodically rebalanced, all accounts are formally reviewed at least quarterly. A comprehensive review updates and reevaluates client positions with respect to client risk and return preferences. Changes may also be called for to maintain the determined asset allocation.

All accounts will be reviewed by David Nightingale, President of Drum Hill Capital. The client is encouraged to notify Drum Hill Capital if changes occur in the client's personal financial situation which might adversely affect the client's investment plan. Drum Hill Capital will similarly monitor the client's asset allocation plan in order to make timely changes when appropriate.



**Reports:** In addition to the monthly statements and confirmations of transactions that clients receive from their custodian, we generally will conduct periodic personal reviews with the client either over the phone or in person. The frequency of these reports depends solely upon the client's preferences. The client will also receive quarterly statements from Drum Hill Capital which will include comprehensive information on portfolio return, asset allocation and transactions effected during the year-to-date period.

### **Comprehensive Household Reporting**

**Reviews:** While the underlying securities within accounts in the Comprehensive Household Reporting service are continually monitored, all accounts within this program are formally reviewed at least quarterly. Any recommended changes in these accounts will be executed by Drum Hill Capital, if applicable, or conveyed to the client as needed for timely execution.

All accounts will be reviewed by David Nightingale, President of Drum Hill Capital. The client is encouraged to notify Drum Hill Capital if changes occur in the client's personal financial situation which might adversely affect the client's investment plan. Drum Hill Capital will similarly monitor the client's asset allocation plan in order to make timely changes when appropriate.

**Reports:** Comprehensive Household Reporting clients will receive quarterly reports on these outside assets including performance reporting and transaction reporting. The client will also receive quarterly statements from Drum Hill Capital which will include comprehensive information on portfolio return, asset allocation and transactions effected during the year-to-date period.

### **Financial Planning Services**

**Reviews:** There are no formal scheduled reviews for Financial Planning Services, rather reviews occur on specific client planning issues, as needed.

**Reports:** There are no formal reports for Financial Planning Services except the reports used in the Baseline Goals Plan service. These Baseline Goals Plan reports include the initial report delivered to the client on plan completion and as needed thereafter.

### **Investment Consulting Services**

**Reviews:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Consulting Services clients unless otherwise contracted for. Such reviews will be conducted by David Nightingale, President of Drum Hill Capital.

**Reports:** Investment consulting clients will receive reports as contracted for at the inception of the advisory engagement, if applicable.

## **14. Client Referrals and Other Compensation**

It is Drum Hill Capital's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is Drum Hill Capital's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## 15. Custody

It is Drum Hill Capital's practice not to have physical custody of client assets. However, Drum Hill Capital may meet the legal definition of having custody over certain client accounts. For example, under certain circumstances employees of Drum Hill Capital may serve as trustee for a client account at a client's request. In these situations, clients will receive periodic statements from an independent custodian and should carefully review these statements. In addition, in accordance with the SEC's custody rule, certain accounts over which Drum Hill Capital is deemed to have custody are subject to an annual surprise audit.

We previously disclosed in the "Fees and Compensation" section on page 8 of this Brochure that our firm directly debits advisory fees from client accounts, and for this reason Drum Hill Capital is also considered to have legal custody of client assets as well.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to the information provided by the custodians to ensure that all account transactions, holdings and values are correct and current.

## 16. Investment Discretion

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority in these situations includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change or amend such limitations by once again providing us with written instructions.

## 17. Voting Client Securities

### Proxy Voting

Drum Hill Capital does not vote proxies for clients. All proxy materials are sent directly to clients and the client may choose to vote these proxies according to their own personal preferences. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted. We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business, including assistance in understanding the implications of certain elections relative to mergers, acquisitions, or tender offers. The ultimate decision on the election itself is the responsibility of the client. Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

### Class Action Filings

Although Drum Hill Capital will provide assistance in gathering information for proof of claims in class action settlements, the firm will not file the proof of claims on behalf of its clients. Clients assume sole responsibility for evaluating the merits and risks associated with any class action settlement, and therefore clients are responsible for filing proofs of claims. Drum Hill Capital cannot provide legal advice and clients are encouraged to consult with their legal advisor when filing claims in securities class actions suits. The client's response to a settlement notice will impact the client's legal rights. In no way shall the client be precluded from contacting Drum Hill Capital for information about a particular class action settlement. Should Drum Hill Capital inadvertently receive proof of claims for securities class action settlements on behalf of clients, the firm will immediately forward the class action information to the client.

## 18. Financial Information

As Drum Hill Capital does not require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered, we are not required to include a financial statement within this document.

As an advisory firm, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations including whether we have been the subject of any bankruptcy proceeding in the last ten years. As such, Drum Hill Capital has no additional financial circumstances to report.



# David Nightingale

## Brochure: Part 2B of Form ADV

March 25, 2015

This brochure supplement provides information about David Nightingale that supplements the Drum Hill Capital, LLC Brochure (Part 2A of Form ADV). If you have any questions about the contents of this supplement, please contact us at (203) 349-8182 or [info@drumhill.com](mailto:info@drumhill.com).

Additional information about David Nightingale is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## 2. Educational Background and Business Experience

**Full Legal Name:** David Cleaves Nightingale      **Born:** 1958

### **Education:**

- Connecticut College, New London, CT; B.S.; 1980
- Stern School of Business, New York University, New York, NY; MBA, Finance; 1986

### **Business Experience**

- Founded Drum Hill Capital, LLC in April of 1998.
- Trader and Director of Technology, Financial Assets Group, Louis Dreyfus Corporation, (1995-1998).
- Senior Vice President, Capital Markets Trading, Lehman Brothers Inc., (1986-1995).

## 3. Disciplinary Information

David Nightingale has no reportable disciplinary history.

## 4. Other Business Activities

### **A. Investment-Related Activities**

David Nightingale is not engaged in any other investment-related activities with any other company, and does not receive commissions, bonuses or other compensation on the sale of securities or other investment products. David Nightingale may invest in private placements on a personal basis from time to time, but typically does not recommend these same private placement investments to clients.

### **B. Non-Investment Related Activities**

David Nightingale is not engaged in any other business or occupation that provides compensation or involves any of his time.

## 5. Additional Compensation

David Nightingale does not receive any economic benefit from a non-advisory client for the provision of advisory services.

## 6. Supervision

Mr. Nightingale is the sole Managing Member and President of Drum Hill Capital, Inc., and he is responsible for all supervision and formulation and monitoring of investment advice offered to clients. As Chief Investment Officer, Mr. Nightingale reviews and oversees all material investment policy changes and conducts periodic testing to ensure that client objectives and mandates are being met.



Ronald Welz

## Brochure: Part 2B of Form ADV

March 25, 2015

This brochure supplement provides information about Ronald Welz that supplements the Drum Hill Capital, LLC Brochure (Part 2A of Form ADV). If you have any questions about the contents of this supplement, please contact us at (203) 349-8182 or [info@drumhill.com](mailto:info@drumhill.com).

Additional information about Ronald Welz is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## 2. Educational Background and Business Experience

**Full Legal Name:** Ronald Scott Welz      **Born:** 1970

**Education:**

- Boston College, Chestnut Hill, MA; B.S.;1992

**Business Experience**

- Joined Drum Hill Capital, LLC in May of 2014 as Director of Operations.
- Client Service Manager, Fidelity Institutional Wealth Services (2001-2014).
- Quality Assurance Analyst and Operations Associate, Fidelity Investments Institutional Services (1995-2001).

## 3. Disciplinary Information

Ronald Welz has no reportable disciplinary history.

## 4. Other Business Activities

**A. Investment-Related Activities**

Ronald Welz is not engaged in any other investment-related activities with any other company, and does not receive commissions, bonuses or other compensation on the sale of securities or other investment products.

**B. Non-Investment Related Activities**

Ronald Welz is not engaged in any other business or occupation that provides compensation or involves any of his time.

## 5. Additional Compensation

Ronald Welz does not receive any economic benefit from a non-advisory client for the provision of advisory services.

## 6. Supervision

Ronald Welz reports to David Nightingale, who is Drum Hill Capital's President and Chief Investment Officer. Mr. Nightingale reviews and oversees all material investment policy changes and conducts periodic testing to ensure that client objectives and mandates are being met. Mr. Welz is Director of Operations.



Zachary Olson

## Brochure: Part 2B of Form ADV

March 25, 2015

This brochure supplement provides information about Zachary Olson that supplements the Drum Hill Capital, LLC Brochure (Part 2A of Form ADV). If you have any questions about the contents of this supplement, please contact us at (203) 349-8182 or [info@drumhill.com](mailto:info@drumhill.com).

Additional information about Zachary Olson is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## Item 2. Educational Background and Business Experience

**Full Legal Name:** Zachary Ross Olson      **Born:** 1990

**Education:**

- Georgetown University, Washington, DC; B.S.; 2012

**Business Experience**

- Joined Drum Hill Capital, LLC in June of 2012 as Director of Investment Research.

## Item 3. Disciplinary Information

Zachary Olson has no reportable disciplinary history.

## Item 4. Other Business Activities

**A. Investment-Related Activities**

Zachary Olson is not engaged in any other investment-related activities with any other company, and does not receive commissions, bonuses or other compensation on the sale of securities or other investment products.

**B. Non-Investment Related Activities**

Zachary Olson is not engaged in any other business or occupation that provides compensation or involves any of his time.

## Item 5. Additional Compensation

Zachary Olson does not receive any economic benefit from a non-advisory client for the provision of advisory services.

## Item 6. Supervision

Zachary Olson reports to David Nightingale, who is Drum Hill Capital's President and Chief Investment Officer. Mr. Nightingale reviews and oversees all material investment policy changes and conducts periodic testing to ensure that client objectives and mandates are being met. Mr. Olson is Director of Investment Research.